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RUEHBU/AMEMBASSY BUENOS AIRES 5301
RUEHCV/AMEMBASSY CARACAS 2535
RUEHPE/AMEMBASSY LIMA 2680
RUEHMD/AMEMBASSY MADRID 3497
RUEHMN/AMEMBASSY MONTEVIDEO 4651
RUEHQT/AMEMBASSY QUITO 5164
RUEHSG/AMEMBASSY SANTIAGO 9765
RHMFIUU/HQ USSOUTHCOM MIAMI FL
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SUBJECT: NEW AIRLINE FINANCED BY VENEZUELA -- OLD AIRLINE
FINANCED BY US FIRM?

¶1. (SBU) The Bolivian press announced on June 6 that, according to sources from the GOB, a new national airline "Aerolineas Bolivianas" will soon be launched with USD 30 million of financing provided by Venezuela under the auspices of the People's Trade Agreement and the Bolivarian Alternative for the Americas. The GOB sources indicated that an Executive Unit would be formed this year to undertake marketing studies, elaborate regulations, and complete necessary procedures to launch the new airline, which would function "autonomously" using a competitive business model to offer Bolivians cheaper fares. Aerosur (the main Bolivian airline following the collapse of the formerly state-owned LLOYD Aero Boliviano) La Paz Manager Gerad Lopez told Emboff that Aerosur is concerned about unfair competition in the private sector from the GOB and Venezuelan financing of a state airline. Aerosur has also received information that Venezuela has offered to provide discount jet fuel to Aerolineas Bolivianas.

¶2. (U) Meanwhile, the press reported on June 3 that the bankrupt, partially-privatized LLOYD Aero Boliviano (LAB) had reached agreement with a U.S. firm, Swiss TransAtlantic Corp., in which the U.S. company would invest USD 80 million to purchase 50.3 percent of LAB's shares, enabling the failed company to relaunch domestic and international flights. (Note: LAB is currently 50.3 percent owned by workers and 48.6 percent held in trust to pay Bolivian pensions. End note.) LAB workers lacked knowledge of the deal and demanded transparent negotiations. LAB's general manager said on June 5 that the meeting scheduled for that day with the U.S. firm had been postponed, but predicted that domestic flights, which were suspended last March, would be relaunched between June 11 and 18.

¶3. (SBU) Comment: On several occasions, Post has heard talk of setting up a state-owned "Bolivarian" airline linking

Bolivia, Venezuela, and Cuba. The effective collapse of LAB has left a void in the aviation market that the GOB is apparently interested in filling. We suspect that the USD 80 million investment supposedly agreed upon with LAB will not come to pass. In September 2006, a UK Virgin Islands Firm, Trans-Atlantic Aviation, Ltd., expressed interest in investing in LAB, but was unable to prove its legitimacy and repeatedly delayed the presentation of registration documents. As we have been unable to find any information about Swiss TransAtlantic Corp. on-line, it seems that this new interest in LAB may be more smoke and mirrors. End comment.

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